

FISCAL NOTE

SB 2956 – HB 3563

March 7, 2006

SUMMARY OF BILL: Requires the State Insurance Committee (SIC) set deductibles to be paid by state employees participating in health insurance on a sliding scale on the basis of the employee's salary. Requires the SIC set such deductibles in a revenue neutral manner across the health insurance plan for state employees.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds \$100,000

Assumptions:

- Excludes the Local Education Plan and Local Government Plans.
- Currently, the PPO option is the only option with a set deductible.
- POS and HMO plans provide fixed co-payments in lieu of deductibles.
- According to the Department of Finance and Administration (F&A), establishing deductibles for the POS and HMO plans in a revenue-neutral manner would not directly impact the state's cost of providing health insurance to its employees.
- The state would simply pay a smaller percentage of health care costs for higher-income employees and a larger percentage of health care costs for lower-income employees, thus creating offsetting impacts.
- However, establishing and maintaining new systems with multiple layers of deductibles based on employee compensation would increase the administrative costs of providing such plans to employees.
- Administrative costs could include, but are not limited to, computer programming, software modifications, new form development, and additional personnel.
- Assuming increased administrative costs, overall costs of providing such plans to employees would increase over time.
- Determining a precise fiscal impact for this bill is dependent upon these several factors and is problematic as a result. However, the increase to state expenditures is estimated to exceed \$100,000 per year.

- This act would take effect on July 1, 2006, and shall apply to the next contract for health insurance for state employees entered into by the state after such date.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized "J" and "W".

James W. White, Executive Director